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THE ROLE OF THE STATE COMPTROLLER IN THE PREPARATION  
OF THE IOWA BUDGET

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by  
Kelvin Lee Schuchart  
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by

Kelvin Lee Schuchart

Approved by Committee:

Dwight R. Saunders  
Chairman

H. E. Alley

Paul Whiles

Earl L. Canfield  
Dean of the Graduate Division

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## CHAPTER I

### THE PROBLEM AND IT'S BACKGROUND

Government, in a democracy, is the business enterprise of all the people. And the citizen, as a stockholder in the business of government, is chiefly interested in two things. One consideration relates to the benefits and services which he receives from his government. Another concern is the cost of these services expressed in terms of the money that he must contribute in the form of taxes. The tax burden is in turn partly dependent upon the efficiency with which the fiscal affairs of government are managed. Thus the problem of State financial administration is of interest to every taxpayer.

It is this interest, and the desire for efficiency and economy in administration, which supplied the stimulus for administrative reorganization in Iowa in 1933 and resulted in the creation of the office of State Comptroller. The office was established for the purpose of maintaining general financial control over State finances on the assumption that this would provide better financial administration, and more efficient and economical services for the people of Iowa.<sup>1</sup>

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<sup>1</sup>Roger J. Hargrave, "Iowa State Comptroller" (unpublished Doctoral dissertation, The State University of Iowa, Iowa City, 1944), p. ii.

## I. THE PROBLEM

Statement of the purpose. The purpose of this thesis was to examine and discuss the processes and procedures of budgeting in the State of Iowa--with detailed emphasis upon the role of the State Comptroller in the preparation of the budget for the State of Iowa.

Outline of the study. The first chapter will sketch the development of budgeting in Iowa state government in order to place the process of budgeting in perspective as a significant element in Iowa's governmental scheme.

Chapter II will be concerned with the functional roles of the comptroller's office. This chapter will attempt to define the various roles of the comptroller, i.e., fiscal, administrative and political. Included will be a summary of Iowa's action in this area.

Chapter III will examine the process of budgeting in Iowa. Emphasis will be on the Comptroller's role in the preparation of the budget. A separate chapter (Chapter IV) will be devoted to the procedure of the comptroller's role in the procedure of budgeting relating to budget-making in Iowa. Chapter V will concern itself with the future implications for Iowa in the preparation of the budget. The final chapter will summarize the conclusions of the study.

Techniques. With exceptions most of the information

herein concerning the preparation of the budget of Iowa was obtained by means of interviews and the use of state documents. The reason for this was the lack of published materials on the subject. The available materials are scattered and often in an unpublished form. The Brookings Institution Study in 1933 and Professor Russell Ross's book The Government and Administration of Iowa, 1957, have been two comprehensive studies made on Iowa. This study will attempt to provide more information on the comptroller's office and budget preparation.

## II. THE HISTORICAL BACKGROUND OF BUDGETING

The need for budgeting. Prior to 1911, budgeting in the United States was in chaos.<sup>1</sup> There was no organized system of budgeting for state governments. The state legislatures would meet in their regular sessions and vote appropriation bills regardless of the wishes of the executive branch. If a governor had the power to veto separate items of a bill, or item veto as this is known, the situation was more confused. Budget reformers argued that it was illogical and ineffective for the legislature to initiate appropriations and for the executive to check them subject to revision.<sup>2</sup>

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<sup>1</sup>Arthur N. Holcombe, State Government in the United States (New York: The Macmillan Company, 1931), p. 362.

<sup>2</sup>Ibid.

They said this order should just be reversed.

The veto and item veto were ineffective because responsibility for expenditures was divided. They encouraged extravagance on the part of the law-making branch so that it came to rely upon the governor to make ends meet and produce financial order out of chaos.<sup>1</sup>

The problem was to reduce appropriations in all phases of the budget, not just in certain areas. Generally, the legislature would pass the appropriation bill late in the session, thus giving the governor very little time in which to scrutinize the bills. If the governor did veto the bill, there usually wasn't time for the legislature to reconsider the bill, thus, the governor was caught between a bill that he did not want, or not having any money for that particular purpose.<sup>2</sup>

To illustrate the way in which the California legislature operated in the days before budgeting, former Governor Young described conditions as follows:

When I first entered the legislature in 1909, there was little short of chaos as far as any orderly provisions for state expenditures were concerned. There had been no audit of the state finances for over twenty years. The finance committees of the two houses were scenes of a blind scramble on the part of the various institutions and departments of the state in an endeavor to secure as large a portion as possible of what ever money might happen to be in the treasury. Heads of institutions encamped night after night in the committee rooms, each alert for his own interest regardless of the interests of other institutions. Logrolling and trading

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid., p. 363.

of votes on appropriation bills was the common practice among members of the legislature.<sup>1</sup>

This practice was not confined to California. In Massachusetts, the Speaker of the House of Representatives in 1916, Mr. Benjamin L. Young described that states's budget making process:

In 1916 and 1917, although a member of the Ways and Means Committee, I did not know, nor did the chairman of the committee know, nor did the Governor know, what the state tax would be, until the last week of the session. In other words, the legislature passed all the appropriation bills which could command the necessary votes, some based upon departmental requests, a few upon recommendation of the Governor and many others upon private petitions and bills filed by members of the Senate and House. At the close of the session the bills were added up, the total was compared with the estimated revenue and the amount of the deficit was fixed as the state tax for the year. Surely this was not a budget system. Its defects may be enumerated as follows:

- (1) No executive control over state finances, the Governor being practically a figurehead, with no authority.
- (2) No general plan of expenditure and revenue prepared by any responsible authority.
- (3) Unbusinesslike legislative machinery, resulting in the passage of a great number of appropriation bills, bearing no relation to one another and no relation to any general program.

The Ways and Means Committee, which reported bills from day to day during the entire session from January to June, had neither time, facilities nor experience for this difficult task. A popular and experienced legislator or department head could get what he wanted. Merit and virtue alone could accomplish little. Private appropriation bills slid through without discussion

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<sup>1</sup>Austin F. MacDonald, American State Government and Administration (New York: Thomas Y. Crowell Company, 1945), p. 345.

before the actual needs of state departments had even been considered.<sup>1</sup>

The rise of budgeting. Such was the condition of budget making in many states shortly after the turn of the century. Moreover, the national government experienced the same problems as the states, and it was to help correct these financial methods that President Taft appointed a "Commission on Economy and Efficiency" and assigned to it the study of administrative organization and financial procedure of the federal government. After two years of study the Commission report strongly recommended the need of the formulation of the budget by the chief executive. The report went unheeded, when President Taft actually prepared a budget for the fiscal year of 1914.<sup>2</sup>

The significance of the Taft Commission report was not lost on the states. The work of the Taft Commission stimulated the movement for budgetary reform among the states.<sup>3</sup> In 1911, California and Wisconsin passed the first legislation establishing budget systems for state governments. Iowa passed budget legislation in 1915, thus

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<sup>1</sup>Benjamin L. Young, The Budget System As a Preventative Against Public Extravagance (New York: National Tax Association, 1924), pp. 6-7. (pamphlet.)

<sup>2</sup>A. E. Buck, The Budget in Governments of Today (New York: The Macmillan Company, 1934), p. 40.

<sup>3</sup>Ibid., p. 41.



establishing the basis for future legislation concerning budgets. By 1926, Rhode Island was the last state to pass budget legislation. It must be noted, however, that forty-two states had passed some budget legislation by 1920, about ten years after the original Taft Commission report.<sup>1</sup> In addition, more than half of these states had adopted the executive budget, in which the chief executive in the state was responsible for the preparation of the budget.<sup>2</sup> Following the trend set by the states, the federal government in 1921 passed the "national budgeting and accounting act."<sup>3</sup> With the passage of federal legislation, the remaining states were encouraged to pass legislation of their own to deal with the problem of budgeting.

Further developments in budgeting. With Rhode Island's passage of budget legislation in 1926, all of the forty-eight states had some legal provision which served as a basis for a budget system. The mere passage of legislation did not necessarily make the states more efficient. Many states began to improve their budget process during the twenties and early thirties, because, with the advent of the depression,

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<sup>1</sup>Cullen B. Gosnell and Lynwood M. Holland, State and Local Government in the United States (third edition; New York: Prentice-Hall, Inc., 1951), p. 382.

<sup>2</sup>Ibid., p. 383.

<sup>3</sup>Buck, The Budget in Governments of Today, p. 41.



the cost of state governments continued to mount.<sup>1</sup> The depression made it difficult for the taxpayer to assume the increased costs of government. For many years the state expenditures had been mounting at a rapid rate.<sup>2</sup> The cost of state government in 1915 was slightly less than half a billion dollars for all forty-eight states; this cost mounted to more than two and one-half billion--an increase of over four hundred per cent--by 1930. Then came an industrial depression, with a corresponding reduction in the taxpaying capacity of the nation. But state expenditures continued to mount by leaps and bounds. By 1937 they had climbed to three and one-half billion--a six hundred per cent increase over 1915. During the war era (1942-45) they rose even more rapidly; by 1943 they reached six billion dollars. State expenditures were sixty-eight per cent higher in 1943 than in 1937, and nearly eleven hundred per cent higher than in 1915.<sup>3</sup> These vast sums collected and spent by state governments called for a budget system that would correlate expenditures and revenues. This was partially answered in the early budget laws, but now there was further need of reorganization. During the twenties and early thirties about

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<sup>1</sup>Brooke W. Graves, American State Government (New York: D. C. Heath and Company, 1953), p. 500.

<sup>2</sup>Ibid., p. 501.

<sup>3</sup>MacDonald, op. cit., p. 345.

twenty-six states passed laws which further reorganized their budget process.<sup>1</sup>

It should be indicated that the term "budget" may have several meanings. In this study the word "budget" as applied to governmental bodies "may be described as a systematic plan of proposed expenditures and estimated revenues for a definite period prepared and submitted by a duly authorized agency for the approval of the legislature."<sup>2</sup>

Types of budget systems. The existing state budget systems are of three principal types, classified according to the person or agency legally responsible for the initiation of the budget.<sup>3</sup> Two of the forms are characteristic of states having executive budget systems; the first is the executive budget in which the governor is responsible for the over-all preparation of the budget, usually with the assistance of a budget director, a budget agency, or someone else. The second form of executive budget system is the board or commission form in which the governor and two or three other officials compose a budget board which is responsible for the budget preparation. In both of these forms

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<sup>1</sup>A. E. Buck, The Reorganization of State Governments in the United States (New York: Columbia University Press, 1938), p. 8.

<sup>2</sup>Holcombe, op. cit., p. 363.

<sup>3</sup>Ibid., p. 364.

the executive is given the responsibility for preparing the budget, and the budget submitted to the legislature is the executive's budget.<sup>1</sup>

The third form is the legislative budget in which the budget is prepared and presented to the legislature by a joint committee of its own members. Only one state, Arkansas, uses this form at present.<sup>2</sup> Eight states use the commission form and the remaining forty-three states use the executive form of budgeting. The general tendency is toward the executive type of budget. A considerable number of states which experimented with other forms of budgeting abandoned them in favor of executive type of budget.<sup>3</sup> This tendency is sound in principle and in accord with the historical development of state governments. Since the budget involves financial planning, such planning is likely to be better performed under the responsibility of one man rather than of several.<sup>4</sup> The means must also be provided so that, if the plan is adopted, it is actually carried out. Therefore the individual who assumes the responsibility for the planning of the

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<sup>1</sup>Arlene Theur Shadoan, Organization, Role, and Staffing of State Budget Offices (Lexington, Kentucky: Bureau of Business Research, University of Kentucky, 1961), p. 7.

<sup>2</sup>William A. McClenaghan, American Government (Boston: Allyn and Bacon, Inc., 1964), p. 559.

<sup>3</sup>Holcombe, op. cit., p. 364.

<sup>4</sup>Ibid.

budget should also be made responsible for its execution. Both of these functions are executive in nature and should be, if not already, placed upon the governor as chief executive. Thus the planning and execution of the budget is but a logical step in the development of the governor's control over appropriations.<sup>1</sup>

The main features of the executive budget system.

Since most states operate under the executive type of budget system, attention should be given to some of the features of that system. Although under the executive system the responsibility is placed on the governor, it is almost impossible for him to personally do the great amount of careful, continuous, and detailed work necessary in budget planning. Usually the governor is provided with a staff upon which he can rely for assistance. If such assistance is not provided, or is inadequate, even the best governors may suffer. Most states provide for some assistance along lines found in Illinois and Virginia:

Thus, in Illinois, under the civil administrative code, the chief executive is assisted in the preparation of the budget by the director of the department of finance and, more particularly, by a bureau in that department under a superintendent of the budget. In Virginia, the staff consists of a director of the budget and special assistants, all of whom are appointed by the governor and are under his immediate supervision.<sup>2</sup>

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid.

The first step in the process of budget-making consists in the preparation of estimates of expenditure by the various departments and the filing of these estimates with the budget agency. In some of the states " . . . the law lays down detailed rules as to the form of these estimates and the data to be included."<sup>1</sup> Other states allow the budget director to perform this operation.<sup>2</sup> The estimates are sent to the budget agency or the governor along with an estimation of revenue, usually supplied by the state auditor, or state comptroller.<sup>3</sup>

Once in the hands of the governor, the chief executive can usually recommend changes or revise these estimates. The changes he may recommend usually are the outgrowth of budget hearings or an investigation of departmental needs on a continuous basis. The result of this process is a comprehensive financial plan for the state which is transmitted to the legislature.

The budget is usually transmitted early in the session in order to allow as much time as possible for its consideration by the legislature. The states may require a budget message in which the chief executive summarizes the budget and makes his recommendations.<sup>4</sup> Usually the

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<sup>1</sup>Ibid., p. 365.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid., p. 367.

appropriation bills accompany the budget message.

Once the budget is in the hands of the legislature, the legislature may hold hearings on the budget and require the attendance of the governor or his representative. They may consider it in "committee of the whole" or refer it to various committee--subcommittee for consideration. In all cases the budget must go to the legislature for consideration and approval before any funds may be spent.<sup>1</sup>

Even after appropriation bills have been enacted, the budget process does not end. Execution of the budget follows. A system of accounting, auditing, reporting, and general supervision must be followed if the budget is to be an effective plan of control.<sup>2</sup>

The role of the budget agency. A "budget agency" is usually closely associated with the administration of a budget. Such an agency is usually provided for with the enactment of the executive type of budget.<sup>3</sup> California, one of the first states to enact budget legislation in 1911, provided for a budget agency to assist the chief executive in the preparation of the budget. As more states adopted one or the other forms of the executive budget, they often provided for a budget agency of some type to assist the governor.<sup>4</sup>

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<sup>1</sup>Ibid., p. 368.

<sup>2</sup>Ibid., p. 369.

<sup>3</sup>Graves, op. cit., p. 493.

<sup>4</sup>Holcombe, op. cit., p. 364.

What a budget agency does is closely associated with the legal functions of the agency--including budget preparation, budget execution, revenue estimation, management analysis and any other functions assigned to it by law.<sup>1</sup>

In attempting to define the role of the budget agency, it is useful to center attention on the relationship of the budget agency to the concept of the budget process.<sup>2</sup> Two major concepts are immediately visible--the control or "watchdog" concept and the management concept.

The "watchdog" concept emphasizes a stringent monetary control to insure honest expenditure in the detail of legislative appropriations. The "watchdog" concept is usually associated with the "line-item" budget in which the agency is budgeted for each item of proposed expenditure--according to individual positions and detailed objects of expenditure such as postage, clothing, medical supplies--and appropriations are also similarly detailed. The line-item budget arose from conditions in government which were prevalent at the time of the budget reform movement. Before that time appropriations were made to administrative agencies in lump sum amounts which facilitated wasteful and illegal expenditures in the absence of a comprehensive budgeting and accounting system. The remedy for these abuses was to prevent them by restricting the administrators' freedom of action in making expenditures by legislative itemization of expenditure authorizations for the budgetary period.<sup>3</sup>

Essentially this concept allowed for the control of expenditures by narrowing the legislative appropriation.<sup>4</sup>

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<sup>1</sup>Shadoan, Organization, Role, and Staffing of State Budget Offices, p. 21.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., pp. 21-22.

<sup>4</sup>Ibid., p. 22.



The concept of management control may be described as:

. . . having less concern with the dollar-and-cents control of agency activities and more concern with the objectives of the agency. This concept puts a premium on the formulation and explanation of policies, programs, and methods for carrying out programs and the analysis of their worth by the chief executive and the legislature. The budget agency holding this concept considers that its primary functions lie in assisting the agencies in defining their goals, in determining the best methods of achieving these goals, in aiding the governor and the legislature in evaluating agency requests, in determining progress or performance, and in helping the agencies to conduct their program as approved by the executive and the legislature.<sup>1</sup>

The staff members of the management concept would be more likely to have liberal arts backgrounds and would spend their time familiarizing themselves with the programs and accomplishments of each agency. In this case expenditures would be controlled by approving the programs before they went to the legislature.

The difficulty in working with these concepts is that they are oversimplified and stereotyped. In actuality it may be very difficult to tell which concept is used in a particular state. A state may organize its budget in the line-item approach, yet have the agencies submit their programs for approval and after approval break it into the form necessary for a line-item approach.<sup>2</sup>

Another aspect of this form of control is that it may

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<sup>1</sup>Ibid., p. 23.

<sup>2</sup>Ibid., p. 24.



be exercised in the making of operating decisions on programs alone. A danger exists, however, in that the agency may become too dependent on the budget agency for its day-to-day decisions.<sup>1</sup>

Administrative centralization is another aspect of control which should be able to centralize service functions, gather technically schooled personnel, standardize practices and procedures, and provide staff services to interagency programs.<sup>2</sup> More importantly, such centralization provides the chief executive with management tools necessary for his administration.<sup>3</sup> Essentially the budget agency acts as an agency of control over the budgets of the individual departments and the budget agency provides as much help as necessary to the chief executive and the departments in order to assist them to make rational decisions.

The development of the budget-making function in Iowa. In 1915 the thirty-sixth General Assembly passed a law that established the basis for the executive budget in Iowa.<sup>4</sup> The law required the various agencies to submit their proposed expenditures for the next biennium with a

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<sup>1</sup>Ibid., p. 25.

<sup>2</sup>Ibid., p. 7.

<sup>3</sup>Ibid., p. 25.

<sup>4</sup>State of Iowa, Acts and Joint Resolution of the Thirty-sixth General Assembly (Des Moines: State of Iowa, 1915), p. 103.

comparison of what they had received the previous biennium. The law further required the governor to submit a budget to the legislature at the time of his annual message, including in it recommendations for appropriations for the coming biennium.

Prior to this, the State Auditor had been required to furnish the governor with an annual financial statement of the treasury, showing a comparison of past appropriations with the actual purchase of goods and services. Nothing in the law had prescribed the preparation of the budget.<sup>1</sup>

In 1924, under Governor N. E. Kendall, a state budget law was enacted during that year's session of the legislature.<sup>2</sup> Following this, the governor appointed, with Senate approval, a budget director for a six year term. The budget director was to assist the governor in the preparation and execution of the budget. Consequently, one budget director could conceivably serve three governors--two of whom might have nothing to say about his appointment.<sup>3</sup> The director and his staff were to conduct periodic examinations of

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<sup>1</sup>State of Iowa, Code of Iowa (Des Moines: State of Iowa, 1913), Section 8.

<sup>2</sup>State of Iowa, Acts and Joint Resolutions Passed at the Extra Session of the Fortieth General Assembly of the State of Iowa (Des Moines: State of Iowa, 1924), p. 10.

<sup>3</sup>Russell M. Ross, The Government and Administration of Iowa (New York: Thomas Y. Crowell Company, 1957), p. 114.

departments and governmental agencies, and prepare the state budget report.

In 1913 a legislative committee created by the legislature (two senators, two representatives, and two members appointed by the governor) met and considered ways and means for governmental expenditures. On November 15, 1932, the committee reported that,

. . . the state government is a great sprawling, governmental structure with little centralization of authority and responsibility, with too many bureaus and divisions which have been added in the past fifteen years.<sup>1</sup>

It admonished the legislature to stop adding bureaus and to eliminate some already created. However, it recommended no specific consolidations. Most of the committee's recommendations concerned fiscal and administrative procedures.<sup>2</sup> At the time of the committee's report assurances were given that governor-elect Clyde L. Herring would resurvey the state government in 1933.<sup>3</sup> Immediately after Governor Clyde Herring took office on January 12, 1933, he engaged the Brookings Institution's Institute for Government Research to survey the state's government. The first part of the study focused on financial administration in Iowa. As a result the 1933 General Assembly passed the Budget and Financial Control Act

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<sup>1</sup>Buck, The Reorganization of State Governments in the United States, p. 102.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

containing most of the recommendations made by the Brookings Report relative to the establishment of the office of the state comptroller, who would act as his budget officer and chief accountant.<sup>1</sup> By this Act the governor was directed to appoint a state comptroller, who would act as his budget officer and chief accountant.

The Iowa comptroller occupies an especially close and sensitive relationship to the governor. The control functions of the comptroller, for example, are exercised in behalf of and in the name of the governor. As a consequence of the establishment of the office of the state comptroller, the power of the governor with respect to state finance has been strengthened by means of the governor's control over the budget.<sup>2</sup> In this process the state comptroller is charged with the preparation of the budget subject to the final review and approval by the governor.

In Iowa, the state comptroller is appointed by the governor subject to Senate confirmation.<sup>3</sup> It is customary for the Senate to approve this appointment since it is recognized that the governor must have complete confidence and

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<sup>1</sup>Hargrave, op. cit., p. 6.

<sup>2</sup>Ibid.

<sup>3</sup>State of Iowa, Code of Iowa (Des Moines: State of Iowa, 1962), Section 8.1.

trust in the appointed comptroller particularly because of an important role he plays in the preparation of the budget.<sup>1</sup>

The discussion of the actual work of the comptroller in the preparation of the budget will follow later in this study.

<sup>1</sup>Opinion expressed by former Governor Norman A. Erbe, personal interview, June 11, 1964.

## CHAPTER II

### THE ROLES OF THE COMPTROLLER'S OFFICE

The office of the comptroller was originally conceived as an aid to the governor in the preparation of the budget.<sup>1</sup> It was hoped that the comptroller would be able to provide information of a fiscal nature to the governor, and assist him in his recommendations. Although the comptroller provides this service, the comptroller has other duties added to the preparation of the budget, which he must perform.

The decisions of the comptroller's office can have many different meanings. For example, a decision as to what to include in the budget estimate form may be simply an administrative decision, yet, the fact that the comptroller's office wants particular kinds of information, may be political in nature, or might be indicative of fiscal policy.<sup>2</sup> An example of such a question or statement would be, "Since obviously salary adjustments will probably represent the major considerations in budget preparation, and in related adjustments, we have performed a separate Exhibit A-1."<sup>3</sup> There

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<sup>1</sup>Russell M. Ross, The Government and Administration of Iowa (New York: Thomas Y. Crowell Company, 1957), p. 112.

<sup>2</sup>Shadoan, Organization, Role and Staffing of State Budget Offices, p. 70.

<sup>3</sup>Marvin R. Selden, Jr., letter accompanying budget preparation forms. August 3, 1964, Office of State Comptroller, Des Moines, Iowa.

are several implications in this sentence. First, administratively, all adjustments will be on a uniform form. Secondly, it is assumed that salary adjustments will be of major importance to the budget requests; this may be either political, fiscal, or administrative. It can be assumed from the wording of the above sentence that salary adjustments, probably upward, will be part of the budget recommendations. Whether this is a fiscal or political decision can be debated. Thus, the role of the comptroller may be interpreted in three different ways. The comptroller's role may be political, administrative, or fiscal in nature. Seldom does one function pertain just to one role, instead overlapping can and often does occur.

The political role of the comptroller. In beginning a discussion of the political role of the comptroller, it must be remembered that the comptroller, in Iowa, is appointed by the governor and serves at the governor's pleasure. The comptroller is appointed to advise the governor in making decisions and policy determinations.<sup>1</sup> The comptroller attempts to point out the various implications of a proposed action to the governor, so that the governor will have as much information as possible to make his decisions. Once the decision

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<sup>1</sup>Ross, op. cit., p. 113.



has been made the comptroller will support that decision.<sup>1</sup> The comptroller must support the governor and serve him, otherwise the comptroller is ineffective, and should resign.<sup>2</sup> The comptroller must be aware of the political implications of the decisions that must be made concerning revenues and expenditures. This is the reasoning for the estimates of Iowa revenue always being under the actual revenue for a particular period.<sup>3</sup> If the comptroller estimated expected revenues too high and total revenue did not reach as much as expected because of poor weather for farm crops or a similar reason, then the state would have to levy a property tax in order to make up the deficit as the State of Iowa cannot legally have a treasury deficit, except under certain circumstances.<sup>4</sup> Normally the political implications might not be good for the governor. Most likely he would not be re-elected.<sup>5</sup>

Throughout the process of preparing the budget, the

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<sup>1</sup>Shadoan, Organization, Role, and Staffing of State Budget Offices, p. 54.

<sup>2</sup>Opinion expressed by Iowa State Comptroller, Marvin R. Selden, Jr., personal interview, June 11, 1964.

<sup>3</sup>Opinion expressed by Assistant Comptroller, William Krah1, personal interview, June 28, 1964.

<sup>4</sup>State of Iowa, "Constitution of Iowa," Code of Iowa (Des Moines: State of Iowa, 1962), Article VII, Sec. 2.

<sup>5</sup>Statement by William Krah1, personal interview, June 11, 1964.



comptroller must be aware of the governor's policy towards the various programs of the state, or of various departments. At the same time, the comptroller will keep in mind the various legislative interests that may also affect the budget. With these attitudes in mind, the comptroller proceeds to prepare the tentative budget which will reflect the comptroller's thinking with these factors in mind.<sup>1</sup> The tentative budget is submitted to the governor for consideration before public hearings on the budget are held.

The comptroller's role in making policy is next displayed in the public hearings. The governor conducts the hearings, but relies on the comptroller to ask the detailed questions concerning the use of the state funds. The comptroller makes recommendations to the governor concerning the various programs; it is these recommendations which may determine if a particular policy is carried out.<sup>2</sup>

Once the governor has made his recommendations on the budget, the comptroller prepares the budget report in the final form.<sup>3</sup> After the budget is ready for printing and distribution, the comptroller will give his assistance to the

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 11, 1964.

<sup>2</sup>Shadoan, Organization, Role, and Staffing of State Budget Offices, p. 55.

<sup>3</sup>Ross, op. cit., p. 114.

preparation of the budget message. Sources, not wishing to be quoted, have indicated that at times the comptroller has actually written the budget message for the governor's delivery. Once the budget has been submitted to the legislature, the comptroller will testify at various committee hearings on the merits of each request for appropriations.<sup>1</sup> In this phase of policy-making the comptroller is effective to the extent that the governor's policies are defended.<sup>2</sup>

The comptroller can establish policy also during the execution of the budget. With the exception of the Iowa Fair Board and the State Board of Regents, which have a biennial appropriation of \$272,800.00 and \$97,720,400.00 respectively, for 1963-1965,<sup>3</sup> all bills for the state are paid after being approved by the comptroller. This would include about \$243,337,430 for the biennium that is under control of the comptroller. It is at this point in the budgeting process that the comptroller can approve or disapprove of certain warrants or bills, thus, in effect, making policy.<sup>4</sup> An example would be the allowance of expenses for

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<sup>1</sup>Statement by William Krah1, personal interview, June 11, 1964.

<sup>2</sup>Ibid.

<sup>3</sup>State of Iowa, Budget Report, Part III (Des Moines: State of Iowa, 1963), p. 1.

<sup>4</sup>Editorial in the Des Moines Register, May 29, 1964, p. 9.

particular kinds of duties for which there is no precedent.<sup>1</sup> The comptroller, then, may have a very important political effect in making policy in deciding whether or not a questionable warrant should be approved.

The fiscal role of the comptroller. The comptroller is the chief fiscal officer of the governor and it is this relationship to the governor which give the comptroller a role in fiscal affairs.<sup>2</sup> Fiscal policy determination is the primary responsibility of the governor, but the governor is assisted by the comptroller.<sup>3</sup>

It is in the preparation of the estimated revenue that the influence of the comptroller is noticed. The comptroller estimates revenue as closely as possible in order to determine whether or not the governor's program or policies will be met. If new tax legislation is needed then the comptroller prepares the data necessary to support such a policy. However, the comptroller will estimate revenues and expenditures on the basis of current levels and not include any new programs.<sup>4</sup> It must be noted that the actual work

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<sup>1</sup>Ibid.

<sup>2</sup>Ross, op. cit., p. 75.

<sup>3</sup>Arlene Theur Shadoan, Preparation, Review, and Execution of the State Operating Budget (Lexington, Kentucky: Bureau of Business Research, University of Kentucky, 1963), p. 3.

<sup>4</sup>Statement by William Krah, personal interview, June 11, 1964.

of preparing the estimated revenue is done by the State Tax Commission on the basis of historical trends in the state.

The comptroller may also advise legislative appropriation committees as to the possibilities of certain courses of action. The comptroller's role in determining fiscal policy would be that of an advisor giving choices and recommendations.<sup>1</sup> The actual influence that the comptroller has would appear to be concentrated on the governor.<sup>2</sup>

The comptroller's influence on the entire fiscal policy would be limited by the fact that certain revenues are exempt from the central budget preparation.<sup>3</sup> In Iowa, the Highway Commission has had this status.<sup>4</sup> The revenue for the Highway Commission is established by law and the revenue is to be used for that purpose. Until July 1, 1963 the comptroller had little control over the Highway Commission as its funds were in a lump sum appropriation. After the Sixtieth General Assembly met and appropriated funds for the 1963-1965 biennium, funds were appropriated on the basis of so much for salaries, road construction materials, research,

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 11, 1964.

<sup>2</sup>Shadoan, Preparation, Review and Execution of the State Operating Budget, p. 3.

<sup>3</sup>Ibid.

<sup>4</sup>Ross, op. cit., p. 75.

inspection, and other like categories. Thus, previously the comptroller had little to say about fiscal policy in the Highway Commission, but now has much more authority.<sup>1</sup>

The state may have programs which it must continue to support and thus it is possible to predict the level of expenditures which must be maintained, for example, school aid, or welfare payments.<sup>2</sup>

If there are items of the state budget which are required by law or custom to be a certain amount, then the comptroller's role in fiscal policy is limited to estimating revenues and giving of alternatives for new programs to the governor and the legislature.

The administrative role of the comptroller. Some of the duties of the comptroller are administrative in nature. For example, the Iowa comptroller is required to keep the accounts of various state educational institutions and the Iowa Fair Board. The comptroller will send a letter of instruction to those persons responsible for the preparation of township and county budgets. As the comptroller is responsible for the approval of these budgets, the comptroller makes an effort to see that they are prepared correctly the

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, July 13, 1964.

<sup>2</sup>Shadoan, Preparation, Review, and Execution of the State Operating Budget, pp. 3-5.

first time. To facilitate preparation the comptroller's office will hold classes for local and county budget officials on matters of procedure and questions of state law.<sup>1</sup>

As an administrator the comptroller appoints a personnel director, subject to the governor's approval, to supervise the employment of all state personnel on the merit system. The foregoing duties as outlined are the duties of an administrator. In Iowa, to carry out these duties, the comptroller's office has installed data processing equipment to speed the process of checking accounts and budgets.<sup>2</sup> Other computer equipment is being installed to help in the process of checking budget requests against the amount of funds available, and checking accounts before warrants are approved.

As it is the duty of the comptroller in Iowa to prepare the state budget, the comptroller is given the authority to prescribe the forms on which the budget requests are made.<sup>3</sup> This means that the comptroller can control the type and form of information asked on the forms.<sup>4</sup> Beginning with the budget

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<sup>1</sup>Statement by William Krah1, personal interview, July 13, 1964.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

<sup>3</sup>State of Iowa, Code of Iowa (Des Moines: State of Iowa, 1962), Sec. 8.4(4).

<sup>4</sup>Shadoan, Organization, Role, and Staffing of State Budget Offices, pp. 30-33.

for 1965-1967 all forms will be the same size and prepared in similar ways so that the comptroller may readily check any department's requests. The advantage of doing this for the comptroller is that it is possible to have all materials compiled into one loose-leaf type notebook for ready use.<sup>1</sup> This has not been possible under the present system.

It is a primary function of the comptroller to review and analyze the agency budget requests for the carrying out of the various programs the department may want. The comptroller administers the various allotments and other controls, with an evaluation of expenditure patterns of the various departments, looking for possible adjustments in them.<sup>2</sup>

The comptroller, then, affects administrative policy by his duties related to prescribing forms, checking budget requests, approving local and county budgets, and other administrative duties the comptroller may have to perform.

Conclusion. The comptroller has many duties to perform which may be classified primarily as political, fiscal, or administrative. It should be emphasized that even though each of these duties may seem unrelated to the other, it is

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, August 8, 1964.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.



possible for a decision which is primarily a fiscal decision to have political effects or administrative effects, or both. For example, a fiscal decision to raise a sales tax may involve the political role of estimating revenues as closely as possible, and may involve new systems of accounting or reporting forms. Likewise, the same situation can be true of the other roles of the comptroller.



### CHAPTER III

## THE PROCESS OF BUDGETING IN IOWA

This chapter will examine the process of budgeting in Iowa as it is at the present time. Emphasis will be on the steps in the budget process and the role of the comptroller in the preparation of the budget.

### I. FACTORS

The biennial budget. In Iowa the budget is prepared for a two-year period or biennium.<sup>1</sup> It is logical for the budget to be prepared for a biennial period because the Iowa General Assembly meets biennially, thus the legislature makes the appropriations at that time for the coming biennium.

The problem of time in budget preparation. On July 1 of the year prior to the biennial session of the General Assembly the comptroller sends to the various state departments and agencies the budget forms on which the budget officer of the various departments and agencies will make their requests. By February 1 of the year of the biennial session, the governor must have the budget prepared and

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<sup>1</sup>State of Iowa, Code of Iowa (1962), Sec. 8.21.

delivered to the legislature.<sup>1</sup> In six to seven months the budget for the coming biennium is prepared. Because the estimated expenditures must be sent to the comptroller by October 1 of the year preceding the biennium, the departments and agencies are as a practical matter estimating their needs about three years in advance. This can be a risky operation for, as one official put it, "it is very difficult to know your needs three years from now."<sup>2</sup>

The comptroller also has a relatively short time in which to assemble the budget. Legally, from October 1 to December 1, two months, is all the time the comptroller has in which to prepare a tentative budget for the governor ahead of the public hearings.<sup>3</sup> During this period the comptroller and his assistants put in a good many hours overtime in an effort to get the budget ready for the governor.<sup>4</sup>

The form of budget requests. The comptroller is charged with the duty of preparing the budget and has been given the authority to prescribe the forms on which the budget

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<sup>1</sup>Ibid.

<sup>2</sup>Opinion expressed by Henry Larson, Director of Accounts and Audits, State Social Welfare Department, personal interview, June 29, 1964.

<sup>3</sup>State of Iowa, Code of Iowa (1962), Sec. 8.23-8.26.

<sup>4</sup>Opinion expressed by William Krah, Assistant Comptroller, personal interview, June 29, 1964.

requests are made.<sup>1</sup> The forms require the department to show their actual receipts for the two previous bienniums along with the actual receipts during the first fiscal year of the present biennium and the estimated receipts expected during the second fiscal year of the present biennium. The department is also asked to project its receipts on an annual basis for the coming biennium, if they are collecting fees for the regulation of some service. The Iowa Liquor Control Commission, Insurance Department, and the Tax Commission would be examples of departments which would have to estimate revenue. The process of estimating expenditures follows the same procedure as estimating receipts. The estimates are divided by program or major activity and submitted to the comptroller in that fashion. Once in the hands of the comptroller, the comptroller is free to place his recommendations next to the askings of the departments. The comptroller may recommend an increase, decrease, or no change, in the request. Thus the form of the budget request allows the comptroller to simplify his work because the totals that he needs to work with are already listed with the estimated expenditures and receipts.

## II. STEPS IN THE BUDGET PROCESS

The preparation of a budget is the responsibility of

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<sup>1</sup>State of Iowa, Code of Iowa (1962), Sec. 8.11 and 8.23.

the governor, who is assisted by the comptroller. By law, it is the duty of the comptroller to prepare the actual budget report: this the comptroller does with the assistance of guidelines given to the comptroller.<sup>1</sup> The guidelines are developed through informal discussions with the governor concerning matters in the budget. Sources indicate that the budget for 1965-1967 will probably attempt to raise salaries of professional persons employed by the state, provide more aid to education, and in light of Iowa's traffic death toll, more aid will be given to the Department of Public Safety. The comptroller will attempt to see that these areas do receive the attention that has been discussed.

The estimate of expenditures. The first step in the preparation of the Iowa budget is for the comptroller to issue request forms to the various departments and agencies. The specific information asked by the comptroller is not prescribed by law directly. Yet the budget report must have some specific items and the request forms follow this pattern. For example, the law requires the comptroller to show the estimated expenditures for each purpose for each fiscal year.<sup>2</sup>

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<sup>1</sup>State of Iowa, Code of Iowa (1962), Sec. 8.11. Opinion expressed by State Comptroller, Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.23.

Generally the departments will show the estimated expenditures for each program with a breakdown for major costs in each program; such as: postage, stationary, extra help, transportation, and so forth. These costs are classified as administration, operation, and maintenance.<sup>1</sup> If any of the funds are to be used for the purchase of land or the making of capital improvements of any kind, these are listed separately with reasons for their necessity.<sup>2</sup>

To effect uniformity in the preparation of the budget estimates the comptroller has in the past issued a letter asking the departments to be sure that totals are correct and if extra information is needed to explain any item in their estimated expenditures that it be included on a separate sheet. In reality, the letter was nothing more than a cover letter saying, in effect, "here are the forms, fill them out, return them to me by September first." On August 3, 1964, the Comptroller's office issued a letter to all departments asking for uniformity in the supplemental documentation of requests. This was the first effort by the comptroller's office to standardize all of the extra information needed to document a request for funds.<sup>3</sup> The manual that accompanied the letter had space provided for work sheets and other data.

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, August 8, 1964.

The letter outlined the basic concepts in this program for additional budgetary information. The comptroller feels that this new program will achieve these results:

- (1) Uniformity of information between departmental ask-ings.
- (2) Ability to compare readily information of the several departments.
- (3) Secure historical information helpful in future years.<sup>1</sup>

Having the information submitted on the same size paper will help in consolidating budget information.

In making the estimated expenditures for the coming biennium, the department will usually include the method and figures used to arrive at its estimates. The Department of Social Welfare, for example, will include the case-load per social worker, the average amounts of money granted to it's recipients, and various other data that will support its requests.<sup>2</sup>

The actual estimate of expenditures is arrived at by using the actual costs in previous years and noting if there has been a trend in any direction. The department will then estimate the costs of new programs or programs that have been eliminated, perhaps automation of some of its processes, and add or subtract this from its askings. Departments

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<sup>1</sup>Letter by Marvin R. Selden, distributed to all departments, August 3, 1964.

<sup>2</sup>Statement by Henry Larson, personal interview, June 29, 1964.



receiving federal money for any of their programs will consider this in their total askings. The departments will also consider any inflationary pressures in the economy that may bear on their departments. One official noted that in his department, they always ask for a little more than just a minimum estimate even though they know that their estimates will probably be cut before the actual appropriation. In this manner they will probably get at least what they received the previous biennium.

In some offices the costs will remain approximately the same, with increases only in the salaries of clerical employees, as these salaries are not always raised every year. The budget estimate for the Governor's office, Attorney-General, Secretary of Agriculture, Treasurer's office, and others are examples of this type of budget estimate. If one of these administrative offices should initiate a new program or have some other duty assigned to it then its askings will likewise go up. For example, the comptroller's office received \$182,380 for fiscal years 1959-1960, \$254,760 for fiscal years 1961-1962, and ask \$504,590 for 1963-1964. The fact that the askings almost doubled between the last two bienniums results from the addition of much automatic data processing equipment.<sup>1</sup> Other departments and agencies

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, July 13, 1964.



that deal with education, social welfare, mental health, and penal institutions are subject to change by \$500,000 or more, depending on the amount of services required of them and the importance attached to them by the governor and the legislators.<sup>1</sup>

The estimate of revenues. On, or before, October 1, the state comptroller prepares an estimate of the total income for the State of Iowa for the coming biennium.<sup>2</sup> As the comptroller's office does not have an economic research and statistical analyst (no funds have been provided for this purpose), much of the actual estimating of revenue is performed in the office of the State Tax Commission.<sup>3</sup>

For this purpose the tax commission prepares a report of the actual income of the state from the various tax sources for the previous two bienniums and then projects an estimate based on trends revealed by those figures.<sup>4</sup> The two largest sources of revenue for Iowa has been the individual income tax and the sales tax which produced over fifty-six per cent of the state's total income in the biennium from July 1, 1961

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.24.

<sup>3</sup>Statement by William Krah1, personal interview, June 29, 1964.

<sup>4</sup>Ibid.

to June 30, 1963.<sup>1</sup>

Other agencies receiving revenue will also project their future revenues based on past experience and any trends that might be evident. The trends on which estimates are based included the rate of population growth for the state, revenue from the sale of liquor in state owned stores, and tax on insurance premiums. Because Iowa is a farm state and much of the revenue is derived from farming or businesses that are related to farming, the most difficult trend to estimate accurately is that of the individual income tax. In rural areas and urban areas affected by agriculture, the grain market, the livestock market, and the weather all have some bearing on the amount of tax collected.<sup>2</sup>

Past experience has been that the comptroller's estimate, based on the tax commission's submission, those of other revenue agencies, and his own thinking has been fairly accurate.<sup>3</sup> Usually the estimate is a little conservative in order to allow for unforeseen conditions. It seems to be a matter of policy and is considered preferable to anticipate a budget surplus according to officials in the comptroller's

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<sup>1</sup>State of Iowa, Iowa State Budget (Des Moines: State of Iowa, 1963), Exhibit BB, no pagination.

<sup>2</sup>Statement by William Krah, personal interview, June 29, 1964.

<sup>3</sup>Ibid.

office. State Comptroller, Marvin R. Selden, Jr. predicted a balance of almost \$28 million in the state treasury by June 30, 1965.<sup>1</sup> Part of the balance will be due to the unexpected cut in federal income taxes which will mean that more income will be subject to taxation by the state. If the state did run out of money, the comptroller would have to issue directions to the county treasurers to levy a property tax in order to make up the deficit.<sup>2</sup> Because of the political pressures in the State to reduce property taxes the comptroller is understandably anxious to avoid a situation in which property taxes would have to be levied by the State.<sup>3</sup>

The preparation of the comptroller's budget or tentative budget. By September 1 of the year preceding the biennial session of the legislature all budget request forms must be returned to the comptroller's office. The official date is October 1, however, the comptroller requires the forms to be returned a month early. This schedule allows the departments eight weeks in which to collect and record the information required by the budget request forms. Frequently,

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<sup>1</sup>United Press International dispatch, The Daily Record (Cedar Falls, Iowa), August 13, 1964, p. 1.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.13.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, July 13, 1964.

however, a department finds it will not be able to meet the deadline, the department head notifies the comptroller of this fact, usually by telephone, and asks for an extension of time. Custom has established a policy of allowing as much as two weeks beyond the September 1 deadline,<sup>1</sup> although the Social Welfare Department received a one month extension while waiting for information as to the percentage of federal participation in the state's programs. The figures, however, did not arrive until after the October 1 deadline.<sup>2</sup>

Upon receiving the completed forms, the comptroller and his staff check the requests initially to verify mathematical accuracy of the requests made by the departments. This is done by means of data processing equipment in order to speed up this phase.<sup>3</sup>

After completion of this initial phase the comptroller next examines the departmental askings to ascertain the actual needs of the department and to detect padded estimates. If it seems that the departmental askings are higher than the comptroller thinks necessary, the comptroller will take steps to determine the true needs of the department.<sup>4</sup> The actual

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>2</sup>Information obtained from tape recordings of Governor's budget hearings, State of Iowa, November 21, 1962.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>4</sup>Ibid.

needs of a department are determined by a study of past expenditures and by comparing these expenditures to those proposed by the department. One official noted, speaking generally, policy is such that if the comptroller believes your department is efficient, then nothing further will be asked. To determine the actual needs the comptroller may require additional information from the department heads; at other times the comptroller will investigate directly the operations of the department. Using these methods the comptroller obtains the information he considers necessary to revise estimates, or to justify the costs shown. Prior to the public budget hearings, departments will be given an opportunity to submit new estimates if the original askings seem too high or too low. If the askings are too high, usually the governor will confer informally with the department head; if the askings need to be raised, usually the comptroller will talk to the budget officer of that particular department.<sup>1</sup>

After having received, examined, and in some cases revised the estimated expenditures and revenues for the coming biennium, the comptroller must then, as required by law, prepare a tentative budget not later than December 1.<sup>2</sup> In

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<sup>1</sup>Statement by William Krah1, personal interview, June 16, 1964.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.25.

preparing this budget the comptroller is helped by having had several conferences with the governor, usually before July 1, regarding broad policy in setting up the budget.<sup>1</sup> Such conferences would discuss salary increases, increases in educational expenditures, or any other matter pertaining to the budget.<sup>2</sup>

The comptroller prepares his budget by listing the requests of each department by program, then adding his recommendations for the same item. This budget includes the requests for the previous two bienniums for comparison purposes. If the comptroller changes a budget request, he lists the reason for such a change as well as the amount of the change.<sup>3</sup>

It is the custom of the comptroller to have the tentative budget prepared and submitted to the governor by the first of November.<sup>4</sup> The reason for submitting it a month early is to allow the governor a month in which to look over the budget and ask questions of the comptroller concerning the budget.<sup>5</sup> If a person other than the present governor

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

<sup>2</sup>Ibid.

<sup>3</sup>Statement by William Krah, personal interview, June 16, 1964.

<sup>4</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

<sup>5</sup>Ibid.

is elected to the office of governor during the general election in November, then the budget is submitted to the new governor-elect for his consideration. It is customary for the retiring governor to drop his connections with the budget preparation and allow the governor-elect to mold the budget to his desires to the extent that this can be done.<sup>1</sup>

The public hearings. Once the tentative budget has been submitted to the governor, it is the duty of the governor to hold public hearings on the budget.<sup>2</sup> However, during the month preceding the public hearings, the comptroller and the governor go over the budget together looking for ways to make a "sound" budget.<sup>3</sup> If, for example, the askings for all phases of education seem to the governor to be too high then he will have the comptroller ask the department heads involved to a conference, the comptroller or the governor will ask the department heads to revise their budget askings so that the governor will be able to present the legislature a budget which may be passed without much alteration.<sup>4</sup>

The public hearing stage in the budget preparation

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<sup>1</sup>Ibid.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.26.

<sup>3</sup>Information expressed by Governor Harold E. Hughes, personal interview, June 17, 1964.

<sup>4</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.



usually lasts two to three weeks during the first part of December. If the incumbent governor is re-elected then the hearings are held in the governor's office, but if the governor-elect is new the hearings are held in a committee room behind the Senate chamber in the Iowa Capitol Building.<sup>1</sup> Assuming that the governor-elect is new to the office then the governor-elect and the comptroller may hold the hearings without the incumbent governor. This was the case when Governor Norman Erbe replaced Governor Loveless and when Governor Harold Hughes replaced Governor Erbe.<sup>2</sup>

The schedule for the hearings is formulated by the comptroller and his staff, who thereafter notify all departments and agencies. Once hearings have begun, each department is allowed as much time as necessary to present its budget. The presentation may require as little as fifteen minutes or as much as two days, depending for the most part on the number of sub-agencies included in a departmental budget.<sup>3</sup> The presentation is usually an explanation of the function of that department, its scope, possible trends, and why it needs the amount of funds requested. When the

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<sup>1</sup>Statement by William Krah1, personal interview, June 16, 1964.

<sup>2</sup>Ibid.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

department head ends his presentation the governor and the comptroller may question various parts of the department's budget estimate. It should be noted that since these hearings are public, often several members of the House of the Senate may attend and also ask questions of the department heads.<sup>1</sup>

The comptroller's role during the hearings is to clarify any part of the budget that lacks clarity, so that both he and the governor clearly understand what is intended.<sup>2</sup> During the budget hearings held in 1960, Governor Norman A. Erbe played the leading role tending to subordinate that of the comptroller, except for the recommendations the comptroller was required to make to the governor on various points under discussion at the time.<sup>3</sup>

The governor may recommend that the askings be raised, lowered, or remain unchanged. The comptroller also records carefully the governor's recommendations along with any other comments made by the department heads. To insure more accurate budget continuity the past two budget hearing sessions have been tape recorded and the tapes stored for future

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<sup>1</sup>Information obtained from tape recordings of Governor's budget hearings, State of Iowa, November 21, 1962.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>3</sup>Opinion expressed by former Governor Norman A. Erbe, personal interview, June 11, 1964.

reference.<sup>1</sup>

The hearings ended, the comptroller then prepares a final draft of the budget according to the governor's recommendations and acceptable modifications made during the budget hearings. For example, Governor Harold E. Hughes recommended stronger rehabilitation and mental health programs, hence his budget reflected increased askings for departments in these areas.<sup>2</sup>

The budget is submitted to the legislature. The final draft of the budget is prepared for the governor's approval after the budget hearings. Once the governor has approved the budget in its final form, it is then sent to the printers to be printed for distribution.<sup>3</sup>

At this point the comptroller, charged with preparing appropriation bills for submission to the legislature, takes up the task of converting budget recommendations into legislative proposals.<sup>4</sup> The actual drafting of the appropriation bill is performed by a person in the comptroller's office that is knowledgeable in bill drafting.

The comptroller will also prepare summaries of the

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

<sup>4</sup>State of Iowa, Code of Iowa (1962), Sec. 8.11.

budget suitable for distribution to the legislators, and the general public. The budget report is submitted to the legislature on or before February first.<sup>1</sup> The actual budget message contains a broad outline of the governor's basic aims in the budget and the governor's recommendation that the budget be passed.

### III. LEGISLATIVE HEARINGS

Once the budget has been submitted to the legislature, the appropriation bills are sent to the proper committees. The legislative committees will also hold hearings on various appropriation bills. In this instance the department heads and the comptroller are usually present at the hearings, if very many questions are to be asked, otherwise just the comptroller will attend. The comptroller's role is to defend the budget request as stated. State Comptroller, Marvin R. Selden, Jr. sees his job as one of "selling it." Further, Selden states, "After all, the budget is partially based on my recommendations, and if I can't agree with the budget, then I shouldn't be in this position."<sup>2</sup>

The comptroller does more than just answer questions in committee hearings. Often legislators will seek out the

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<sup>1</sup>Ibid., Sec. 8.21.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

comptroller in his office for more information. The comptroller does not attempt to plead with the legislators regarding the budget, but rather show the budget request as an honest request and one that must be met.<sup>1</sup> In this respect the comptroller provides an information service for the legislators as well as the governor.

#### IV. EXECUTION OF THE BUDGET

Once the appropriation bills have passed the committee sessions and passed both houses of the legislature the major work of the comptroller in the preparation of the Iowa budget is finished. However, it is the comptroller's responsibility to perform a pre-audit of budget expenditures.<sup>2</sup> In the performance of this duty the comptroller will check the account on which the claim is drawn to be sure that there are sufficient funds available to pay the claim.<sup>3</sup> The comptroller does not pay claims, but authorizes the warrant to pay so that the State Treasurer can actually pay the bill.

In addition to checking the funds available, the comptroller will check to make sure it is a legal claim on state funds. Once the claim has been approved by the comptroller,

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<sup>1</sup>Ibid.

<sup>2</sup>State of Iowa, Code of Iowa (1962), Sec. 8.6.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

and it is paid by the treasurer's office, there is little that can be done if the claim later becomes questionable.<sup>1</sup> It should be noted that the comptroller does not approve the warrants until the purchase has been made, as the comptroller has no control over the purchasing of goods outside his department.<sup>2</sup>

The execution of the budget is a continuous process which goes on daily. Because the comptroller has access to all the records of the State's fiscal affairs, it is possible for the comptroller to use these records in preparing the budget for the following biennium. The comptroller's office keeps a file on each department or agency which receives funds from the State. In these files are records concerning all requests for transfers of funds for the various departments. The comptroller in the preparation of the tentative budget will use these "budget history" files to help make estimates of needs for future years.<sup>3</sup>

It must be noted in the process of budget execution, the comptroller must release the funds for the various departments and agencies on a quarterly basis. This allows the

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<sup>1</sup>Editorial in the Des Moines Register, May 29, 1964, p. 9.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

<sup>3</sup>Ibid.

comptroller a further check on the activities of each department. The effect of this procedure on the comptroller and the department heads is in reality a device to help each other know the rate at which the funds are being used and whether there will be a need for additional funds.<sup>1</sup>

It must be concluded then, that the process of budgeting is a continuous process, because even in the execution of the budget, information is being accumulated to assist in the preparation of the next biennial budget.

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<sup>1</sup>Ibid.



## CHAPTER IV

### FACTORS AFFECTING BUDGET PROCEDURE AND IMPLICATIONS FOR BUDGET-MAKING IN IOWA

This chapter will attempt to discuss the effect of certain procedures used in the preparation of the Iowa budget on budget-making in Iowa. In addition, factors which may change budgeting in Iowa in the future are also discussed.

#### I. THE IMPACT OF THE BUDGET PROCEDURE ON BUDGET-MAKING IN IOWA

The biennial budget. The Iowa budget is adopted every two years at the biennial session of the General Assembly. Consequently, appropriations are made two years in advance for some activities or services. The effect is to limit the amount of services that the state can provide because the appropriation must be made at least two years in advance.<sup>1</sup>

If a department or agency should happen to spend all of the funds appropriated before the next budget is to become effective, then the comptroller can transfer funds from some other department or agency, providing the funds are not earmarked for a particular purpose. Most transfers occur within

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

a department. Opinion in the comptroller's office seems to indicate that about fifteen transfers have occurred since January 1, 1961 with a total of less than \$100,000 involved, and then most of these were within departments. The usual practice seems to be that if a department runs short of funds it curtails service to a level compatible with funds left in its account.<sup>1</sup>

On the other hand, if a department ends a biennial period with a surplus these funds revert to the state general fund and must be appropriated anew for the next biennium.<sup>2</sup> In such instances the comptroller may revise that departmental budget for the coming biennium to meet the anticipated reduction in expenditures.<sup>3</sup>

The general fund. There are two types of funds used in Iowa, one is the "ear-marked" funds and the other is the general fund. The ear-marked funds do not require an appropriation by the legislature in order for a department to use the revenue available. The general fund is the fund in which all estimated expenditures are allowed for and appropriated by legislative action. For the biennium July 1, 1963 to

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<sup>1</sup>Statement by Henry Larson, personal interview, June 29, 1964.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, August 8, 1964.

<sup>3</sup>Ibid.

June 30, 1965 about \$230 million was estimated for expenditures from the general fund; during the same period about \$250 million was estimated for expenditures from the Special and Trust Funds or the "ear-marked" funds.<sup>1</sup> This means that more estimated expenditures were not subject to the budget process as has been described in the previous chapter, than estimated expenditures that were scrutinized. It must be remembered that these funds are set up by statute and the amounts available for expenditures are set by law, thus the "budgeting" process has taken place in the legislature previously and need not be repeated. In addition, the Iowa Highway Commission will now be under the budget process which means that the \$250 million figure will be reduced by about \$150 million.<sup>2</sup>

The general fund is controlled by the comptroller through the approval of warrants drawn on the various accounts of the departments and agencies dependent on legislative appropriations.

The forms for budget requests. The comptroller determines the specific information to be submitted with the estimated expenditures for the coming biennium. The Iowa

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<sup>1</sup>State of Iowa, Iowa State Budget (Des Moines: State of Iowa, 1963), Exhibit AA, no pagination.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, August 8, 1964.

Code says only that the information provided must be categorized into (1) capital outlays, and (2) operating expenses. The comptroller requires the estimated expenditures to be listed by program or major expense, although when the appropriation is made, the appropriation bill may consolidate some of the items. If the legislature appropriates more or less than the budget for that department will be expanded or reduced in the area indicated by the legislature. The comptroller will handle the appropriation just the same regardless of the amount of funds made available to a particular department.<sup>1</sup> It may be noted that the budgets of those departments in which the chairman is elected and not appointed is evaluated by the comptroller on the same basis as those departments with appointed heads.<sup>2</sup>

The time for budget preparation. Elsewhere in this thesis, emphasis has been placed on the relatively short period of time available for the comptroller and the governor with the aid of all department heads to prepare a sound budget. The fact that department heads are estimating expenditures as much as three or perhaps four years in advance would appear to be a handicap to budget preparation in Iowa.

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<sup>1</sup>Ibid.

<sup>2</sup>Statement by Marvin R. Selden, Jr., personal interview, June 29, 1964.

Sources indicate that even though this may appear to be a problem, the state treasury has usually maintained a surplus at the end of each biennium since World War II. The next logical question would seem to be whether or not Iowa is making full use of its potential income, however, since this is a subjective question, this thesis will not attempt to answer that point.

The public hearings. The public hearing on the budget is the best place for a new governor-elect to become familiar with each item in the budget request.<sup>1</sup> If the governor has the opportunity, he will hold private conferences with various department heads previous to the public hearings and discuss his fiscal philosophy with them at that time. Therefore, by the time of the public hearings many of the budget requests have already been revised and the department heads have some idea of what will happen after the public hearings.<sup>2</sup> Any differences that still exist will be discussed in the public hearings where the comptroller's recommendation and the governor's recommendation are final insofar as what will be included in the budget estimate and what will be asked

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<sup>1</sup>Ibid.

<sup>2</sup>Statement by Henry Larson, personal interview, June 29, 1964.

of the legislature.<sup>1</sup> The resulting effect is that much of the actual work of revision that would ordinarily take place in the public hearings has already been performed prior to the hearings.

In the hearings, it is the duty of the department heads to explain why the departments need the funds for which they are asking. A department asking for funds for a new program must explain fully the reasons for the new program. Perhaps one of the most interesting presentations, in terms of organization and publicity, is made by the Board of Regents. The Board of Regents usually require a full day to present their askings, with the heads of the major institutions doing the explaining.<sup>2</sup> The publicity they receive is usually statewide, and sources indicate that this helps the Regents "into sweet-talking the legislature into appropriating more funds than the governor's recommendation."

The execution of the budget. The process of actually spending the funds once they have been appropriated is a continuous process in which the comptroller plays a vital role.<sup>3</sup> The comptroller is involved in the approval of claims

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<sup>1</sup>Statement by William Krah, personal interview, June 29, 1964.

<sup>2</sup>Information obtained from tape recordings of Governor's budget hearings, State of Iowa, December, 1962.

<sup>3</sup>Opinion expressed by William Hedlund, Assistant to Governor Hughes, personal interview, June 5, 1964.

against the funds of each department. It must be emphasized that the comptroller does not have control over purchasing as such by the departments, but merely the approval of purchases. The departments and agencies may buy from whomever they please.<sup>1</sup> The comptroller does not approve the warrant until the purchase is made, thus the comptroller has some control over the way the funds are spent, but only in the sense of approval of warrants. He does not control the purchasing.<sup>2</sup> If the comptroller feels that a particular item is questionable, he may refuse payment until he receives a ruling from the Attorney-General's office or a conference with the department head.<sup>3</sup> Sources not wishing to be identified, indicate that the real authority seems to be the comptroller himself until overruled by the Attorney-General or by the Legislature.

## II. SOME IMPLICATIONS FOR IOWA IN THE PREPARATION OF THE BUDGET

This section is concerned with some factors which may bring a change to the budgeting pattern in Iowa. The

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<sup>1</sup>Statement by Marvin R. Selden, Jr., personal interview, June 16, 1964.

<sup>2</sup>Ibid.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, July 13, 1964.



following list is not exhaustive nor is it intended to explore every ramification of each factor. Its purpose is merely to identify some of the factors which officials connected with budgeting have mentioned as perhaps more important than others. It is well to remember that a change in one factor may bring about a change in another factor.

Automation. The Iowa comptroller's office has had some automatic processing equipment for about ten years.<sup>1</sup> However, in 1960, automatic data processing equipment was installed in an effort to speed the checking of warrants against the funds available for a particular department. Due to the press for time, the comptroller's office has purchased more automatic computer equipment and is currently having it installed in the State Office Building on the fourth floor, where it will use space previously occupied by the Department of Social Welfare.<sup>2</sup> Reportedly, the computers will be able to store information by means of magnetic tapes, thus reducing the need for large areas of file storage. The comptroller will make the computer available to other departments for use on a "heed" basis with the comptroller determining priorities of use for the computer.

Automation will probably speed the process of budget preparation by allowing the computers to make projections

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid.

concerning future needs of departments, based on past experience. It would be hoped that a logical outcome would be a closer estimation of expenditures and revenues.

Assuming the use of more automatic data processing equipment, there would probably be a change in the forms used for budget estimates, so that the forms would correspond to the way in which information could be used in the computers.<sup>1</sup>

Central purchasing. Central purchasing has been discussed and recommended for the state.<sup>2</sup> As yet Iowa does not have it, partially because the comptroller does not have the authority to control the purchasing of goods for the state. If the comptroller had the authority to control the authorization of purchases, then centralized purchasing would be the next step. Cost savings may be attained in this manner, thus reducing the overall cost of state government. Problems may develop in the areas of storage, time of purchase, suppliers, and the location of suppliers. Other problems may develop in the areas of quality and service. These seem to be questions which must be answered before Iowa adopts centralized purchasing.<sup>3</sup>

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<sup>1</sup>Ibid.

<sup>2</sup>The Brookings Institution, Survey of Administration in Iowa (Des Moines: State of Iowa, 1933), p. 405.

<sup>3</sup>Statement by Marvin R. Selden, Jr., personal interview, July 13, 1964.

Property tax. In Iowa in recent years the subject of taxation has concerned itself with the reduction of the local property tax. A change in the tax structure of Iowa would certainly alter the way in which revenue would be estimated. Exactly what sources of revenue would be affected and the role of the comptroller and the tax commission in the estimation of revenue would be speculation at this time.

Federal funds. At the present time only the Iowa Highway Commission, Department of Social Welfare, and Department of Public Instruction, receive large amounts of federal funds for use in their operations. If federal funds increase in amount, then the comptroller may find that the budget must contain certain amounts of funds set aside to meet federal regulations, thus perhaps making the budget more rigid.<sup>1</sup> The question of control over the spending of the federal funds may also be a problem for the comptroller in discharge of his duties. In addition, if the state relied on federal funds, then budget preparation may hinge upon federal action and Iowa would have to alter its budget procedure to meet federal guidelines.

Item veto for the governor. At the present time the Iowa governor is allowed to either sign (pass) or veto

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<sup>1</sup>Ibid.

(reject) a bill that comes to the governor from the legislature. If the governor were allowed to reject only parts of a bill rather than the entire bill, perhaps more control by the governor over budgetary matters would be the end result.<sup>1</sup> It should be noted that to give the governor the item veto would not necessarily restrict the governor's use of it to appropriation bills unless the authority was limited to this use.

### III. CONCLUSION

The way in which the Iowa budget is prepared does have an effect of the budget itself in the ways noted earlier in this chapter. In regards to future developments in budgeting in Iowa, one can conclude that these matters, if adopted, would be difficult to predict the actual effects on the Iowa budget. One could safely conclude that change will come to the Iowa budgetary process, but when, where, how, and what effect they will have, is most difficult to determine.

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<sup>1</sup>Opinion expressed by Harold E. Hughes, Governor of Iowa, personal interview, June 17, 1964.

## CHAPTER V

### SUMMARY AND CONCLUSIONS

The purpose of this study was to examine and discuss the processes and procedure of budgeting in the State of Iowa--with detailed emphasis upon the role of the State Comptroller in the preparation of the budget for the State of Iowa. The problem of understanding budgeting in Iowa concerns the fact that many of the sources are unpublished and in a scattered form. It was hoped that this study would assimilate the necessary information into a meaningful form.

Summary. The process of budget making in Iowa began with the passage of legislation in 1915, which provided for a budget to be prepared by the governor of the state. Realizing the necessity for a budget, the General Assembly, in 1924, provided for a budget director to be appointed with confirmation by the Senate and to serve at the will of the governor. With the depression of the early 1930's, Iowa and many other states, felt the need for reorganization in order to become as efficient as possible in the administration of state government. A study of administration in Iowa was conducted by the Brookings Institute in 1933; among their recommendations was a recommendation for the establishment of a state comptroller.

The state comptroller was an outgrowth of the budget director with the addition of fund management, accounting, and financial reporting. Thus while these functions were being provided by other agencies, the Brookings Institute and the Iowa legislature thought it wise to combine them in the office of the state comptroller.

The comptroller, in the performance of his duties, plays three roles: a political role, an administrative role, and a fiscal role. It must be noted that often the roles overlap and the performance in one role may affect another role.

The process of budgeting in Iowa begins with the estimate of expenditures for the coming biennium by the various departments and agencies. During the two month period from July 1 to September 1, the comptroller is estimating revenue for the state, based on the State Tax Commission reports and other sources at hand. When the estimates are received by the comptroller, the comptroller proceeds to prepare a tentative budget based on the estimates received and the comptroller's own recommendations. The tentative budget is submitted to the governor about November first. During the month of November, much discussion concerning various items in the budget takes place between the governor, comptroller, and various department heads.

Approximately the first two weeks of the month of

December is devoted to public hearings on the budget, at which time all remaining differences between the governor's policy and items in the budget are removed. After the hearings, the comptroller prepares the final draft of the budget, subject to revision by, and approval of the governor. The comptroller then prepares the legislation to make the budget effective.

The governor during the opening weeks of the biennial session of the legislature gives his budget message outlining his program for the coming two years, and summarizes the estimates for the coming biennium and offers a comparison to the previous biennium.

Once the budget has been transmitted to the legislature, the comptroller is on hand to attend committee meetings, should he be asked, and defend or "sell" the budget as stated. During this time the comptroller tries to be of as much help to the legislators as he can.

The comptroller's role in the preparation of the budget is not finished, because after the funds have been appropriated, the comptroller keeps records of transfers and unspent funds for use in the preparation of the next budget.

Several factors about the budget procedure in Iowa should be noted. First, Iowa prepares a budget for a biennial period; this period following the regular biennial session of the General Assembly. Legislation regarding the



budget must be considered at the same time as all other legislation. Secondly, the comptroller prescribes all the forms used in budget preparation which makes for uniformity in the process of preparation and presentation. This fact may also allow easier movement toward increased use of automatic data processing equipment. Thirdly, the time for the preparation of the budget extends from July first to about January first. During this period all estimated expenditures and estimated revenues for a biennium beginning July 1 after the legislature has met and continuing for two years must be made.

The fourth factor is the public hearings, previous to which many private discussions concerning budget items, have transmitted. During the hearings, the comptroller and the governor will ask as many questions as necessary in order to make sure that each item and the amount requested are as accurate as possible. The last factor concerns the comptroller and his involvement in the execution of the budget. The comptroller is actually involved continuously in the preparation of the budget through his control of transfers and approval of warrants.

As to the future, there are several factors which may influence budgeting in Iowa: electronic computers and data processing equipment, centralized purchasing, pressure by lobbyists and others for relief from property taxes, and the influx of federal funds, and perhaps an item veto for

the governor.

Conclusion. It may be concluded that Iowa developed a budget system as the logical outgrowth of a need for efficiency. The role of the comptroller, as chief fiscal officer of the governor, is effective in the preparation of the Iowa budget. While the comptroller may do most of the actual work in the preparation of the budget, the final word in the preparation of the budget belongs to the governor.

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